

THE LEONARD LETTER

*A weekly electronic newsletter about
California government, business and taxes
Bill Leonard, Member
State Board of Equalization*

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QUOTE OF THE WEEK

*"Nearly all men can stand adversity, but if you want to test a man's character, give him power."
--- Abraham Lincoln, 16th U.S. President*

AROUND THE STATE

*****Sticks and Stones*****

I know that you have heard, read and seen more about Mel Gibson in the last week than you ever wanted to hear, read or see. However, in all that discussion, I think a serious point has been overlooked: he was driving drunk. The media and activists seems quite focused on his belligerence and racial slurs during his arrest, but what about the old saying "sticks and stones may break my bones, but names will never hurt me"? Sure, that is now considered "politically incorrect," but look at where such PC-mania has taken us. This man had a blood alcohol content well in excess of the legal limit, which means he was significantly impaired in his physical abilities, responses and awareness. That means that he was endangering the lives of everyone who was around him and in his path on the road that night. That he was willing to kill or maim someone and thus devastate a family should be of greater concern than his drunken rant, no matter how offensive to any sensibility.

*****Gorillas in Their Midst*****

Speaking of drunk driving, a colorful picture caught my eye in the LA Times Health section recently. The photo features people in gorilla costumes standing against a bright yellow wall. The accompanying article explains a study about the effects of drinking alcohol. Men in one group drank enough of an alcoholic beverage to reach a blood alcohol level of .04% (That's half of what is considered legally drunk by the California's law I wrote, and it would take a 180 pound man about 2 ½ beers to get there.), and the second group drank no alcohol. Then all the men were shown a video clip of two teams passing a ball back and forth and asked to count how many passes were made. In the middle of the film clip, a person in a gorilla suit walks through the ball throwers and thumps his chest. Of those who drank no alcohol, 46% saw the gorilla but only 18% of those who had consumed alcohol reported seeing the gorilla. This confirms what I observed in my research for the .08% bill: people are impaired long before they are "drunk" and they do not even recognize their own impairment. What if instead of a gorilla on a video, you

miss seeing a pedestrian in a crosswalk? Although we must set a legal blood alcohol limit to presume someone drunk, we must set a higher standard for our personal behavior: any amount of alcohol impairs and you should completely abstain if you are driving.

*****Our Most Recent Tax Increase Failed to Deliver*****

In November 2004, California voters approved Proposition 63, which increased income taxes by 1% on people with incomes higher than \$1 million per year. At 10.3%, California's income tax rate is the highest in the nation. The revenues from this tax increase were permanently dedicated to local mental health programs. Of course, the initiative made no provision to “back-fill” the tax revenues lost when the wealthiest taxpayers left the state to avoid this highest-in-the-nation tax.

When this misguided tax increase was on the ballot, taxpayer advocates argued that there would be little benefit from this new tax because local governments would cut existing funding for the mentally ill, so they would get nothing more than they did before (and maybe even less) despite a permanent tax increase. The proponents of the initiative denied that allegation, claiming the poorly-worded “maintenance of effort” language in the initiative would prevent that from happening. Well, the early results are in and, as usual, the proponents of high taxes were wrong.

California counties have already begun cutting the funds for local mental health programs. The headline about it said “despite” the new revenues from Proposition 63,

<http://www.sfgate.com/cgi-bin/article.cgi?file=/chronicle/archive/2006/07/31/BAG11K8DTI1.DTL>

but I think it should be rephrased: it is “because” of those new revenues. Just as predicted, millionaires are leaving our state to avoid high taxes and they are taking jobs, businesses, and the rest of their tax money with them when they go. Meanwhile, the unfortunate people who rely on county mental health services will have fewer resources available than before the tax increase was adopted. When will we ever learn?

TAX TIPS

*****Free Tax Help for New Businesses*****

From the Bill Leonard Blog 8/2/2006

Since I am a frequent critic of how the bureaucracy treats taxpayers, it is a singular pleasure to point out and endorse government activities that are helping people. One such program is the BoE's Educational Consultation Program. Since 2001, the BoE has been offering free consultations, primarily to those who have started businesses in the last 12 months. I am pleased to report that the program is up state wide and is getting high satisfaction ratings from taxpayers.

Those who take advantage of this receive one-on-one assistance with an experienced tax auditor who reviews their business operations, record-keeping and tax preparation system. This is a great opportunity for business owners to take care of any general or specific questions about how

to remit their taxes correctly. These consultations are provided for free to taxpayers and normally last no more than a day.

Since 2001, over 3,000 taxpayers have participated. I would like to see this number go way higher, so please spread the word to anyone with a new business that collects sales tax that this free service is available to help their business run better and to avoid unfortunate headaches down the road.

We all know that California has a reputation for being unfriendly to business. This program helps mitigate that unfortunate reality. If you would like to participate, please call your local BoE field office to make an appointment, or call me at 916-445-2181.

*****IRS on Churches*****

The IRS is stepping up activity against churches and nonprofit organizations that engage in what the IRS deems improper politicking. It has created the Political Activity Compliance Initiative which will review complaints as they come in—rather than when that organization files its annual tax return-- and decide on whether to pursue an investigation.

I have serious concerns with allowing the IRS to run amuck accusing churches of forbidden activities, and, by that very enforcement under the privacy laws preventing churches from joining together to fight the First Amendment battle. I do not believe that a pastor saying bad things about President Bush or Senator Kerry violated the church's nonprofit status, and I do not believe the IRS should be allowed to restrict free speech. There have been several cases making it clear that churches have ample right to comment on current social and political issues, register voters, and engage in policy discussions, including current legislation. The line comes when the church advocates the election or defeat of a particular candidate, but I am skeptical that this new IRS Initiative will stop at that line, and that is something that should concern everyone who cares about free speech.

MISCELLANY

*****Contributing to the Cause*****

Last week I recommended a book by Star Parker <http://www.billleonard.org/ll.asp> and I suggested a website that tells good stories about the U.S. military. Now the two come together. The Conservative Forum of Silicon Valley is hosting an event with Star Parker that will raise money for Care & Comfort. Parker will talk about her book, "White Ghetto," and Care & Comfort will be benefiting through funds that will go to creating and sending care packages to our troops in Iraq. If you want to hear Parker speak or simply support a group that is supporting those in service to our nation and the cause of liberty, go to this link for more information

<http://www.theconservativeforum.com/StarParkerEvent.html>

*****California County History*****

This week I profile my hometown county of San Bernardino. The name came from Saint Bernard, the patron saint of mountain passes, and was bestowed by the Spanish explorers who saw the area's vast mountain ranges. The name Bernardino means "bold as a bear," and was given in 1810 in observance of the feast day of St. Bernardino of Siena by Francisco Dumatz of the San Gabriel Mission. The county was created in 1853 from eastern Los Angeles County, although just a year before, its territory had been in San Diego County. In 1872, the northern portion of San Bernardino County was separated into Inyo County and then in 1893, the southern portion became Riverside County. Even with those secessions, San Bernardino is still the largest county in the United States today.

Before the Spanish entry into California, the area of the county was occupied by natives including the Serrano in the foothills on the San Bernardino mountains; the Cahuilla in the San Gorgonio Pass and San Jacinto and Santa Rosa Mountains; the Vanyumes along the Mojave River; the Mohave along the Colorado River; the Chemehuevi who began along Colorado River then moved into the Mojave Desert; and the Gabrielenos in the west county. The first Spanish into the area were Pedro Fages, Military Commander of California, in 1772, and Father Francisco Garces, a missionary priest, in 1774.

When the Mexicans took over Alta California, the San Bernardino area was divided into land grants, the names of which resonate in the region today: Chino, Cucamonga, San Bernardino, and San Gorgonio. In 1842, the Lugo family was granted 37,700 acres encompassing the San Bernardino Valley. The San Bernardino Rancho was purchased from the Lugo family by Amasa Lyman and Charles Rich, members of the Church of Jesus Christ of Latter-day Saints sent by Church President Brigham Young to colonize the area. The Mormon settlers consisted of nearly 500 men, women, and children. They laid out the streets of and began building what is today the city of San Bernardino. Young recalled the group to Utah five years later, and in the absence of the church members, with the arrival of the railroad the area became known as a rough-and-tumble town.

The area's agricultural base began in the 1840s when vineyards were planted in the Cucamonga region and by 1870, the county was producing 48,720 gallons of wine. In 1857 navel orange trees were planted in San Bernardino. In 1860 gold was discovered in Holcomb and Bear Valleys in the San Bernardino Mountains. Placer mining began in Lytle Creek. In 1870, silver was mined at Ivanpah and later in the Calico area. In 1862, Borax was first discovered in the Searles Dry Lake area near Trona.

The Leonard family first arrived in the San Bernardino valley area in 1885 to check out prospects. The family made the move permanent from New Mexico in 1895 and began working in retail, real estate, insurance, teaching and law in San Bernardino and Redlands.

*****A Good Flick*****

Instead of a good read, today I am recommending a good movie. "Men of Honor" is the 2000 biopic portraying the life of Carl Brashear. Brashear was a U.S. Navy Diver who helped recover a hydrogen bomb dropped into the Mediterranean in an airplane incident. He lost a leg in the

recovery of the bomb and then worked to overcome all odds to be the first reinstated Navy Diver with an amputated limb. He was also a black man who grew up in rural Kentucky but overcame all kinds of adversity to pursue his honorable dream of a military career in a desegregated Navy. He embodies the honorable spirit of the men and women of our U.S. military. The reason I am recommending the movie now is that Carl died last week in part from complications due to that amputation. I had the honor of meeting him in 2000 when I saw an advanced screening of the movie about his life. He is a true American hero.

BOE AND LEGISLATIVE DATES

August 11, 2006 --- Last day for Declaration of Candidacy and Nomination papers for candidates running in local races on the General Election ballot.

August 16, 2006 --- BOE meets in San Diego.

August 29, 2006 --- BOE meets in Sacramento.

August 31, 2006 --- Final recess of legislature begins upon adjournment.

September 4, 2006 --- Labor Day.

September 12-13, 2006 --- BOE meets in Culver City.

September 27, 2006 --- BOE meets in Sacramento.

September 30, 2006 — Last day for Governor to sign or veto bills passed by the Legislature before September 1 and in his possession on or after September 1 (Art. IV, Sec.10(b)(2)).

October 9, 2006 --- First day absentee ballots will be mailed to those who have requested them.

October 9, 2006 --- Columbus Day.

NOTABLE DATES/ HISTORY

August 7, 1942 --- United States Marines landed at Guadalcanal in the Solomon Islands, making the first major assault of U.S. troops on Japanese positions in the Pacific Ocean. U.S. forces finally captured the island in February 1943.

August 7, 1964 --- After two reported North Vietnamese attacks on U.S. warships, the U.S. Congress approved the Gulf of Tonkin Resolution, giving President Lyndon Johnson the power to launch the Vietnam War.

August 8, 1588 --- In the Battle of Gravelines, an English fleet led by Lord Charles Howard and Sir Francis Drake destroyed the Spanish Armada, a fleet of ships sent by Spain to invade England. This battle helped prevent the Catholic/Spanish/Hapsburg/Continental siege of power

in England. Gravelines is a small historic town on the northern coast of France on the river Aa 15 miles southwest of Dunkirk.

August 9, 1945 --- The U.S. bomber *Bocks Car* dropped the atomic bomb “Fat Man” on Nagasaki, Japan, destroying a third of the city and killing 40,000 people (although the estimates range from 20,000 to in excess of 70,000, depending on the source), according to U.S. estimates. Japan's government surrenders five days later.

August 9, 1974 --- President Richard Nixon, facing impeachment by Congress for his role in Watergate, resigned at noon. Vice President Gerald Ford was sworn in to succeed him

August 10, 1831 --- William Driver, a ship's captain from Salem, Massachusetts, was credited with coining the term “Old Glory” in reference to the American flag.

August 10, 1988 --- President Ronald Reagan signed the Civil Liberties Act of 1988, compensating Japanese-Americans for deprivation of civil rights and property during World War II internment ordered by FDR

August 10, 1995: Timothy McVeigh and Terry Nichols are indicted for the April bombing of an Oklahoma City federal building that killed 168 people and injured over 500 more.

August 11, 1841 --- Fugitive slave Frederick Douglass, who became a well-known orator, spoke before a mostly white abolitionist meeting for the first time in Nantucket, Massachusetts.

August 11, 1965 --- Black anger erupted in the first of six days of rioting in the Los Angeles neighborhood of Watts.

August 12, 1981 --- The International Business Machines Corporation (IBM) launched its first personal computer, which used the Microsoft operating system MS-DOS.

August 13, 1961 --- The East German government surrounded West Berlin with temporary fortifications during the night, stopping the flight of East Germans to the West. The barrier was later replaced by the concrete Berlin Wall.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

HOW TO CONTACT ME

Bill Leonard, Member
State Board of Equalization, Second District
Email: bill.leonard@boe.ca.gov

Northern California Office:

400 Capitol Mall, Suite 2340
Sacramento, CA 95814
Telephone: (916) 445-2181
Fax: (916) 327-4003

Southern California Office:
4295 E. Jurupa Ave., Ste. 204
Ontario, CA 91761-1428
Telephone: (909) 937-6106
Fax: (909) 937-7044